

Telekom Malaysia (T MK)

3Q25: EBITDA In Line, Expect Higher Costs In 4Q25

Highlights

- TM reported a sequentially stronger 3Q25 core net profit of RM560m (+28% qoq), driven by lower ETR and an undisclosed gain on copper asset sales. This brings 9M25 net profit to RM1,407m, making up 82% of our full-year estimate. We deem the results to be above expectations.
- We raise our 2025-27 earnings estimates by 2-3% on lower tax rates and housekeeping adjustments.
- Maintain HOLD with a DCF-based target price of RM7.00.

3Q25 Results

Year to 31 Dec (RMm)	3Q25	qoq % chg	yoy % chg	9M25	yoy % chg
Turnover	2,991.9	7.9	2.6	8,615.3	(0.5)
COGS	(1,939.1)	12.9	3.5	(5,454.1)	1.8
EBITDA	1,151.3	1.3	7.2	3,377.2	(1.1)
Pre-Tax Profit	726.4	29.3	8.7	1,822.0	0.9
Tax	(32.7)	(79.5)	(84.0)	(323.5)	(36.5)
Reported Net Profit	686.3	70.3	47.6	1,490.5	15.9
Core Net profit	560.3	27.9	(1.2)	1,407.4	3.3
	3Q25	+/- ppt	+/- ppt	9M25	+/- ppt
EBITDA Margin (%)	37.5	(3.7)	(2.4)	38.7	(1.0)
PBT Margin (%)	20.1	(1.5)	(6.3)	20.0	(1.7)
Core Net Margin (%)	18.7	2.9	(0.7)	16.3	0.6
Segmental Revenue Breakdown					
	3Q24	4Q24	1Q25	2Q25	3Q25
Unifi	47.9%	47.7%	48.6%	49.7%	47.3%
TM One	24.4%	25.6%	23.5%	24.2%	22.8%
TM Global	27.0%	25.6%	26.7%	25.1%	28.7%
Others	0.8%	1.1%	1.2%	1.1%	1.2%

Source: TM, UOB Kay Hian

Analysis

- 3Q25 EBITDA was in line with expectations.** Telekom Malaysia (TM) reported a strong sequential core net profit of RM560m in 3Q25 (+28% qoq; -1% yoy). This was driven by lower effective tax rate (ETR) due to an adjustment on deferred tax liability (which will not recur in 4Q25) and an undisclosed gain on copper asset sales (which saw other operating income surge 256% yoy). Additionally, earnings benefitted from revenue uplift, underpinned by healthy Unifi subscriber and ARPU growth, coupled with strong wholesale project executions.
- 9M25 EBITDA was in line with expectations** at RM3,419m (-2% yoy) while 9M25 core net profit came in at RM1,407m (+3% yoy), accounting for 82% of our full-year estimate. The results were stronger due to lower 3Q25 ETR and the gain on copper asset sales.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	11,690.2	11,712.4	12,558.5	13,050.8	13,570.0
EBITDA	4,502.0	4,474.0	4,666.7	4,796.3	4,934.1
Operating profit	1,706.3	2,324.6	2,508.8	2,670.6	2,844.6
Net profit (rep./act.)	1,870.5	2,016.9	1,770.3	1,857.7	1,985.4
Net profit (adj.)	1,801.1	1,728.4	1,770.3	1,857.7	1,985.4
EPS	46.9	45.0	46.1	48.4	51.7
PE	15.4	16.1	15.7	15.0	14.0
P/B	3.0	2.8	2.6	2.5	2.4
EV/EBITDA	6.6	6.3	6.0	5.6	5.3
Dividend yield	2.8	4.3	4.5	4.7	5.0
Net margin	13.3	13.2	13.8	13.9	14.1
Net debt/(cash) to equity	19.7	3.9	(1.7)	(9.0)	(16.2)
Interest cover	3.6	5.4	5.4	5.0	4.9
ROE	19.7	17.1	16.7	16.6	16.8
Consensus net profit	-	-	1,700.0	1,777.0	1,822.0
UOBKH/Consensus (x)	-	-	1.0	1.0	1.1

Source: TM, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM7.25
Target Price	RM7.00
Upside	-3.4%

Analyst(s)

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Stock Data

GICS Sector	Communication Services
Bloomberg ticker	T MK
Shares issued (m)	3,837.7
Market cap (RMm)	27,823.6
Market cap (US\$m)	6,721.5
3-mth avg daily t'over (US\$m)	8.1

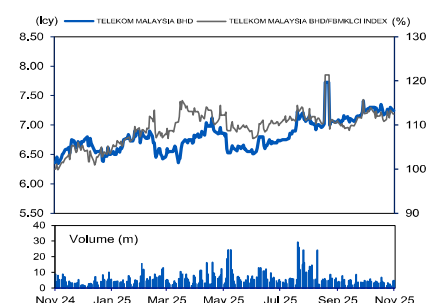
Price Performance (%)

52-week high/low	RM3.97/RM3.11				
1mth	3mth	6mth	1yr	YTD	
0.3	2.7	5.7	13.6	9.0	

Major Shareholders

	%
Employees Provident Fund	22.3
Khazanah Nasional Bhd	20.1
Kumpulan Wang Persaraan	10.0
FY25F NAV/Share (RM)	2.77
FY25F Net Cash/Share (RM)	0.04

Price Chart



Source: Bloomberg

Company Description

Fixed line operator that provides services including fixed voice, mobile, fixed broadband, and leasing of fibre optics. It also provides ICT solutions to corporates/SMEs.

- **3Q25 core EBITDA remained flat qoq and yoy at RM1,166m**, while 9M25 core EBITDA came in at RM3,419m (-2% yoy). This reflects a slight core EBITDA margin compression (-1ppt yoy), primarily attributable to higher 5G access costs and customer acquisition expenses from aggressive bundling campaigns (9M25 direct cost: +10% yoy), which were partly cushioned by lower operational costs (9M25: -4% yoy) from process optimisation and digitalisation
- **Unifi's 3Q25 revenue rose to RM 1,416m (+3% qoq; +1% yoy)**, driven by positive subscriber net add of 19,000 customers (total subscribers: 3.2m) and encouraging ARPU uplift to RM130/month (2Q25: RM126/month; 3Q24: RM130/month). TM attributed this achievement to a healthy volume of customers upgrading to higher-speed packages and device plans adoption, coupled with strong enterprise customer adoptions particularly among micro, small and medium enterprises, supported by government-led community development initiatives (eg Geran Digital PMKS Madani).
- **TM One: Still struggling in terms of momentum.** 3Q25 revenue fell 4% yoy to RM683m, owing to an elevated one-off solution revenue in 3Q24 and intense competition. Sequential revenue grew marginally (+2% qoq), supported by continued growth in cloud, ICT, and digital solutions. This momentum is expected to persist, driven by the execution of several major projects currently in the pipeline on top of a recent five-year managed private cloud contract win from Malaysia's largest private hospital group.
- **TM Global.** Revenue saw a strong momentum in 3Q25, reaching RM858m (+9% yoy and +24% qoq), bolstered by progressing 5G mobile backhaul execution (from UMobile) and resilient data centre solutions demand. 4Q25 revenue contributions will remain robust, underpinned by a strong pipeline of large-scale cross-border bandwidth demand, ongoing data centre expansion, and accelerated delivery of 5G mobile backhaul services.
- **3Q25 core EBITDA remained flat qoq and yoy at RM1,166m**, while 9M25 core EBITDA came in at RM3,419m (-2% yoy). This reflects a slight core EBITDA margin compression (-1ppt yoy), primarily attributable to higher 5G access costs and customer acquisition expenses from aggressive bundling campaigns (9M25 direct cost: +10% yoy), which were partly cushioned by lower operational costs (9M25: -4% yoy) from process optimisation and digitalisation.

Valuation/Recommendation

- **Maintain HOLD with a DCF-based target price of RM7.00.** Our target price has factored in a 64MW JV data centre (DC) with Singapore Telecommunications. The DC will be a four-storey building and is expected to be operational in 2026. A blue-sky scenario (200MW DC) implies a fair value of RM7.80.

Earnings Revision/Risk

- We raise our 2025-27 earnings estimates by 2-3% given the lower tax rates.
- **4Q25 outlook.** Earnings may come under pressure on the back of higher manpower cost (as TM carefully evaluates its voluntary separation scheme optimisation) and a normalising effective tax rate. However, this is expected to be partly offset by sustained Unifi ARPU uplift momentum from 3Q25 and flow through of contracts from the wholesale segment. We also note that 4Q24 was a sequentially weaker quarter.
- **2025 Guidance.**

Environmental, Social, Governance (ESG)

Environmental

- Achieved 30% carbon emission reduction from 2019 baseline in 2024 through managing direct emissions, reducing energy-related emissions and adopting renewable energy generation.

Social

- Contributed nearly RM1.2m (through Yayasan TM and partnerships) to provide humanitarian relief efforts nationwide, assisting over 25,000 people from the affected communities.

Governance

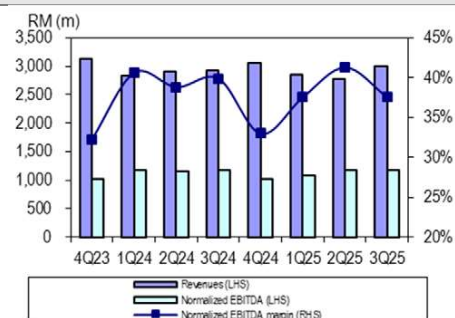
- Integrity screening of new vendors' background through MACC's Integrity Screening E-System.

Performance Guidance For 2025



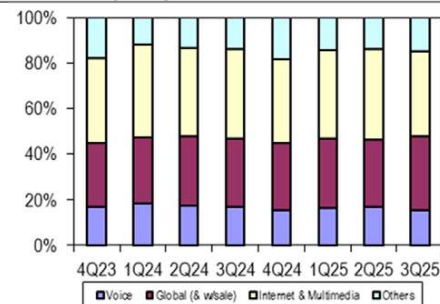
Source: TM

Revenue And EBITDA Margin



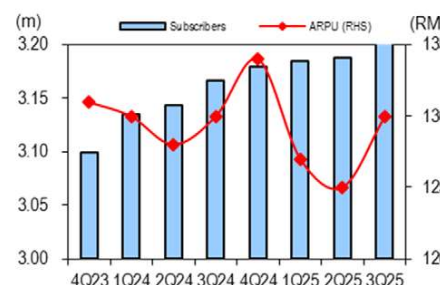
Source: TM, UOB Kay Hian

Revenue By Segment



Source: TM, UOB Kay Hian

Unifi Subscriber And ARPU



Source: TM, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	11,712.4	12,558.5	13,050.8	13,570.0
EBITDA	4,474.0	4,666.7	4,796.3	4,934.1
Deprec. & amort.	2,149.4	2,157.9	2,125.7	2,089.5
EBIT	2,324.6	2,508.8	2,670.6	2,844.6
Associate contributions	8.1	8.1	8.1	8.1
Net interest income/(expense)	(177.1)	(219.1)	(213.9)	(200.9)
Pre-tax profit	2,177.2	2,297.8	2,464.7	2,651.9
Tax	(138.3)	(505.5)	(542.2)	(583.4)
Minorities	(22.0)	(22.0)	(64.8)	(83.0)
Net profit	2,016.9	1,770.3	1,857.7	1,985.4
Net profit (adj.)	1,728.4	1,770.3	1,857.7	1,985.4

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	4,010.6	3,824.2	4,080.6	4,192.0
Pre-tax profit	2,177.2	2,297.8	2,464.7	2,651.9
Tax	(138.3)	(505.5)	(542.2)	(583.4)
Deprec. & amort.	2,149.4	2,157.9	2,125.7	2,089.5
Associates	(8.1)	(8.1)	(8.1)	(8.1)
Working capital changes	(3.0)	(117.8)	40.5	42.2
Non-cash items	(166.6)	-	-	-
Investing	(1,002.2)	(2,009.4)	(1,957.6)	(1,899.8)
Capex (growth)	(1,589.0)	(2,009.4)	(1,957.6)	(1,899.8)
Investments	(36.7)	-	-	-
Others	623.5	-	-	-
Financing	(2,708.5)	(811.8)	(961.0)	(1,145.1)
Dividend payments	(1,176.9)	(1,239.2)	(1,300.4)	(1,389.8)
Issue of shares	0.5	-	-	-
Proceeds from borrowings	(1,272.3)	427.4	339.4	244.7
Others/interest paid	(259.8)	-	-	-
Net cash inflow (outflow)	299.9	1,003.1	1,162.0	1,147.1
Beginning cash & cash equivalent	2,697.9	2,973.1	3,976.2	5,138.2
Changes due to forex impact	(24.7)	-	-	-
Ending cash & cash equivalent	2,973.1	3,976.2	5,138.2	6,285.3

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	11,429.3	11,280.8	11,112.7	10,923.0
Other LT assets	2,795.7	2,803.8	2,811.9	2,820.0
Cash/ST investment	3,096.2	4,099.3	5,261.3	6,408.4
Other current assets	3,841.3	4,162.4	4,281.6	4,407.3
Total assets	21,162.5	22,346.3	23,467.5	24,558.8
ST debt	1,381.0	1,422.4	1,465.1	1,509.1
Other current liabilities	4,904.3	5,107.6	5,267.3	5,435.2
LT debt	2,109.9	2,495.9	2,792.7	2,993.4
Other LT liabilities	2,501.4	2,501.4	2,501.4	2,501.4
Shareholders' equity	10,099.7	10,630.8	11,188.1	11,783.7
Minority interest	166.2	188.2	253.0	336.0
Total liabilities & equity	21,162.5	22,346.3	23,467.5	24,558.8

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	38.9	37.2	36.8	36.4
Pre-tax margin	38.4	38.3	39.3	40.5
Net margin	14.8	14.1	14.2	14.6
ROA	8.2	7.9	7.9	8.1
ROE	17.1	16.7	16.6	16.8
Growth				
Turnover	0.2	7.2	3.9	4.0
EBITDA	(0.6)	4.3	2.8	2.9
Pre-tax profit	20.4	5.5	7.3	7.6
Net profit	7.8	(12.2)	4.9	6.9
Net profit (adj.)	(4.0)	2.4	4.9	6.9
EPS	(4.0)	2.4	4.9	6.9
Leverage				
Debt to total capital	0.2	0.2	0.3	0.3
Debt to equity	0.3	0.4	0.4	0.4
Net debt/(cash) to equity	(0.0)	0.0	0.1	0.2
Interest cover (x)	5.4	5.4	5.0	4.9

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